Federal Communications Commission Washington, D.C.

Re: Report and Order and Further Notice of Proposed Rulemaking In the Matter of Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992 (the "Report & Order").

Dear Commissioners:

As you may be aware, the undersigned lending institutions are major lenders to the Cable Television industry with over \$18.5 billion in commitments. Accordingly, we feel that it is important to share our views on the FCC's Report and Order. Our comments are directed toward the current state of the financial marketplace for Cable Television, the expected consequences of the proposed rules on existing and future financings and the corresponding impact on the industry's ability to invest in the plant and equipment necessary to provide advanced multimedia services to its customers.

When the Cable Act was passed in October 1992 the financial community initially reacted positively to what appeared to be a resolution to a significant amount of uncertainty which had persisted since cable re-regulation was proposed several years ago. However, the combination of the staged roll-out of the rules, their complexity and several inconsistencies has created a great deal of concern among operators and lenders alike and confusion for consumers.

"Hitrary - each evoter against the impact of the Renort and the Renort and Order on their Cash Flow (defined as earnings before interest, taxes, depreciation and amortization), significant uncertainty remains as to the ultimate reduction in Cash Flow and the timing of such reduction. These uncertainties result from: (i) the complexity of the rules and the existence of inconsistencies therein; (ii) the staged roll-out of the rules; (iii) the lack of defined cost of service showing standards and the intended adoption of such standards subsequent to the date when a cable operator must opt for either application of the FCC benchmark methodology or a cost of service showing: (iv) the outcome of retransmission consent negotiations and the insbility of cable system operators to pass along any associated payments prior to October 6, 1994; (v) the FCC's continued consideration of excluding systems with loss than 30% penagration from the definition of competitive systems which may result in a further 17% reduction in the benchmark rates and, accordingly, basic program rates; (vi) the FCC's right to examine rates which, after the initial roll-back, are still above the benchmark and order further reductions thereof; and, (vil) potential delays in implementing the Report and Order due to the logistics of conducting cost of service showings and potential legal challenges. This uncertainty is further execerbated by: (i) a benchmark rate structure which appears to disincent the operators from upgrading their cable plant (the average permitted rate per channel declines as channel capacity increases) and, therefore discourages the introduction of new services, which may generate revenues to offset lower basic revenues; (ii) a benchmark rate structure that encourages the substitution of less expensive programming for existing programming (because the benchmarks do not directly factor in the cost of programming), which may reduce the overall attractiveness to the consumer of basic cable programming; and, (iii) the must carry/retransmission consent rules which may result in the exclusion of certain existing broadcast or cable programs and further impact the

consumer's perception of the value of basic cable programming.

In the Commission meeting on April 1, 1993, Commissioner Barrett asked the FCC staff if these regulations would have any effect on the industry's ability to access new financing. The staff suggested it would not. We respectfully disagree. Since Cash Flow is the primary determinant of a cable system's debt capacity, until all consequences of the Report and Order are determined (including the results of cost of service appeals), new bank financing will be inaccessible to most cable operators. It is estimated that it may take a number of quarters for the industry to fully assess the impact of the Report and Order and provide the financial community with meaningful forecasts. It is unlikely that we will lend new funds to the industry until the impact of the Report and Order is quantified and the operators are able to provide supportable forecasts.

The Cash Flow reductions resulting from the Report and Order threaten to place many cable system operators in default of bank and insurance company loan agreements since most of these agreements contain financial covenants based on Cash Flow. These financial covenants were based on Cash Flow forecasts prepared prior to the publication of the Report and Order. These forecasts showed reasonable growth in revenues and Cash Flow from a combination of modest rate increases, subscriber growth and system expansion. This forecasted operating performance may in many cases no longer be attainable given the Cash Flow reductions attendent to the FCC benchmark methodology and the disincentives therein to system expansion. Many operators will need to seek amondments of their financial covenants. Others may have to divert funds from capital expenditures, raise additional equity or amend their debt amortization schedules to meet existing debt repayment obligations. While the strongest cable operators will have financing options, the smaller "all cable" operators will find all forms of capital elusive.

As a result of these potential covenant defaults banks and insurence companies, traditionally the primary source of debt capital to the Cable Television industry, may likely face heightened regulatory scrutiny of their activities related to Cable Television. Depending on the magnitude of the impact of these changes on their Cable Television loan portfolios and the magnitude of the corresponding regulatory pressures to reserve capital against the portfolios, banks and insurance companies may find their general ability to extend credit to this industry somewhat diminished.

Trissa rulemakings occur at a time when technological development stands ready to avail the cable customer of numerous new products and services which will lead to the interactive communications highway. However, without the ability to access new capital, many operators will have to defer investment in plant improvements until they are able to demonstrate to financial markets that their Cash Flow is capable of supporting additional debt. This concern is particularly acute for the amaller cable operators who do not have access to the public capital markets and rely primarily upon bank and insurance company financings.

Even if this scarcity of capital is resolved over time, the FCC's benchmarks do not seem to favor nouse technologically advanced systems. In the past, the ability to recover such investments led to the significant improvement in the quality and diversity of cable programming such as CNN, C-Span, Black Entertainment Television and Nickelodeon. However, the proposed regulation makes it difficult to recover costs of higher channel capacity and to justify investment in system upgrades. We believe that this dilemma is attributable to the methodology for setting the announced benchmark levels. In situations where competition exists between a cable television operator and a second provider of video programming, the competition is generally in its early stages of development and a <u>sustainable</u> competitive rate level may not yet be established. In our experience with competitive markets, both providers are competing for market share and are not operating at sustainable rate levels. The cable operator is able to offset the lower rates in the competitive system with Cash Flow from other systems; on the other hand the second provider is generally equity financed and is initially charged with gaining market share rather than generating sufficient Cash Flow to justify its capital investment. As a result, the rate levels in most of the competitive situations are not likely to be sustainable over the long term.

This is demonstrated by the fact that in several markets where competition had existed, one of the two providers either became insolvent or voluntarily withdrew from the market.

We urge that the potential consequences outlined above be given serious consideration when evaluating the proposed rules. Specifically, we ask that you promptly reconsider, refine and clarify the basis of the rate benchmarks and the means by which operators can preserve their financial viability through cost-of-service showings. Failure to take this prompt action, we strongly believe, will have a negative effect on the banking industry's ability to finance the continued growth of the cable television industry. This in turn will be injurious to the consumer's quality of service and programming content; the competitive environment for development of highly sophisticated, broadband networks which will provide for multi-faceted interactive service including voice, data and video components; overall employment and the smaller entrepreneurial operator's ability to survive.

We look forward to pursuing these issues in greater detail by participating in the upcoming comment period related to the cost-of-service rules showing.

Sincerely,

Bank of Boston
Bank of Hawaii
The Bank of New York
The Bank of Nova Scotis
Canadian Imperial Bank of Commerce
Citibank
CoreStates Bank
First National Bank of Chicago

First Union National Bank
Fleet National Bank
Mellon Bank
Morgan Guaranty Trust of New York
NationsBank
PNC Bank
Royal Bank of Canada
Societe Gurieral
Toronto Dominion

Thomas V. Relferibeiser Sehior Vice President



June 18, 1863

Federal Communications Commission Washington, D.C.

Re: Report and Order and Further Notice of Proposed Rulemaking in the Matter of Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1982 (the "Report & Order")

Dear Commissioners:

For the pest 16 years I have been the head of the Medis and Communications Group at Chase which includes our activities in cable television. As you may be sware The Chase Manhetten Bank, N.A. is a major lender to the cable television industry with in cases of ______ in commitments. Accordingly, we feel it is important to share our views on the Repeat and Order. Our comments are limited to the current state of the bank market for cable television financing, the expected generousness of the proposed rules on existing and future financing arrangements and the servesponding impact on the industry's ability to invest in plant and equipment necessary to provide advanced multimedia services and competitive telephone service to consumers.

Current Bank Market for Cable Television Phenoing

The Report and Order will result in a significant, but as yet undetermined, reduction in cable industry one's flow. The potential imagnitude of this reduction, as it affects one borrower, is estimated in Continental Cablevision's recently filed 8-1 with the Securities and Suchange Commission. Continental, the trind largest cable system operator with 8.9 million subscribers, has estimated that the application of the PCC's benchmark methodology (without giving effect to say potential east-of-service showings, any startification or refinement of the PCC's benchmark methodology or any other mitigating actions which may be taken by Continental and assuming Continental is able to fully resever its costs plus a reasonable profit for cable equipment and installation) to its cable systems as of April 1, 1983 would result in an annualized reduction in revenues of \$60 million to \$70 million. This represents a 5.2% to 6.1% reduction in Continental's

annualized revenue of \$1.16 billion as of that date and an 11.6% to 13.5% reduction in its \$618 million annualized cash flow (the reduction in each flow is magnified since that there is no corresponding decrease in expenses to effect the revenue reduction). Continental further stated in its \$-1 that, "Such a reduction in revenues, together with other potential affects on the Company resulting from the implementation of the 1992 Cable Act, could have a material adverse effect on the Company's business" and "If the Company were unable to implement strategies to mitigate the adverse impact on the FCC rate regulations on the Company's business, then a reduction in revenues of this magnitude would require the company to negotiate estimated y amendments of its loan agreement relating to its editing senior indebtedness or reduce its total indebtedness in order to avoid a visitation of a financial covenant set forth in such agreements limiting the ratio of the company's total indebtedness to its consolidated cash flow". Write such statements are serious impagin, the impact on other aperators will in many cases be much harder-since Continental is widely considered to have been more maderate in its rate behaviour than many of its peers and is in any event more conservatively financed than many others. While companies such as Continental have financial options, the consequences of the Report and Order will be more severe for operators who are more highly leveraged or who are smaller and therefore lack the recourses of larger companies.

Atthough cable system operators have attempted to estimate the impact of the Report and Order on their cash flow, eignificant uncertainty remains as to the utilinate reduction in cash flow and the timing of such reduction. These unsertainties result from: (i) the completely of the rules and the estatuto of inconsistencies therein; (ii) the etagod reli-out of the rules; (iii) the lack of defined cost of service showing standards; (iv) the eutooms of retransmission censors regulations (which we estimate may reduce cash flow an additional 6% to 6%) and the inability of eable system operators to pees along any associated payments prior to Costeber 6, 1864; (v) the PCC's centimed consideration of excluding systems with less than 50% penetration from the definition of competitive systems which may result in a further 17% reduction in the benchmark rates and, accordingly, basic and cable program service revenues; (vi) the PCC's right to accretion rates which, after the initial reli-basic, are attliated the benchmark and order further reductions thereof; (vii) patential delays in implementing the Report and Order due to the legistics of condusting cost of service showings and potential legal shallenges; (iiii) a benchmark rate structure which appears to dishoent the operator from upgracing the stable plant (the everage permitted rate per channel defines as channel capacity increases) and, therefore discourage the introduction of new services the revenues from which might effect lower hade revenues; (iv) a benchmark rate structure that encourages the existation of less expensive programming), which may reduce the everall attractiveness to the censumer of basic cable programming; and (vii) increased expenses due to compliance with extensive, time consuming regulations.

As a responsible and prudent lender, and mindful of our own regulatory responsibilities, we have constitled that we must outsill new entensions of credit (at histories) industry leverage ratios) to the industry until the tuti impact of the Report and Order on cable industry each tiew is determinable. We believe most other banks have also custafied new extensions of credit to the industry. It is estimated that it may take as long as eighteen morethe for the industry to fully excess the impact of the Report and Order and provide the financial community with meaningful forecasts. It is unlikely that we will lend new funds to the industry until the impact of the Report and Order is quantified and operators are able to provide supportable forecasts or cable inclustry leverage ratios decline further.

Consequences of the Report and Order on Indefine and Puture Financing Arrangements

In the commission meeting on April 1, 1988, Commissioner Barrett asked the PCC staff if these regulations would have any effect on the industry's ability to access financing. The staff's response was a definitive "no". We respectfully disagree. As previously discussed, we have and we believe most other banks have curtailed

new extensions of credit to the industry as a direct result of our inability to quantify the reduction in each flow attendent to the Report and Order and the timing thereof. Clearly the industry's ability to access financing from banks has been harshly affected by the Report and Order. The impact of the Report and Order, however, may prove to be more pervesive than just a curtailing of new credit extensions by the banking industry.

The cash flow reductions resulting from the Report and Order threaten to place many cable system operators in default of bank and incurance company lean agreements since most of these agreements contain financial covenants based on cash flow. These financial covenants were based on each flow forecasts prepared prior to the publication of the Report and Order. These forecasts showed reasonable growth in revenues and each flow from a combination of modest rate increases, subsertior growth and system expansion. The ferecasted operating performance may in many cases no longer be attainable given the cash flow reductions attendent to the FCC benefithark methodology and the disincentives therein to system expansion. Many operators will need to seek amendment of their financial covenants. Others may have to starve capital investment, raise additional equity or amend their debt amortization echedules to meet existing debt repayment obligations. While the strongest cable operators will have financial options, the smaller "all cable" operators will find all forms of capital elueivs.

At the same time, banks and insurance companies may find significant portions of their loan portisios in technical default and may face heightened regulatory equality of their activities related to cable television. Banks and insurance companies may be asked to amend existing credit arrangements prior to the resolution of many of the uncertainties outlined heretofore and prior to receiving new supportable forecasts that quantity the cash flow impact of the Report and Order and provide the basis for a researchis and prudent response to such requests. Depending on the magnitude of these changes on their cable television loan portfolios and the magnitude of the corresponding regulatory pressures to reserve capital against these portfolios, banks and insurance companies may find their ability to extend credit, not only to the cable television industry but generally, somewhat diminished.

Although the impact of the Report and Order will be eignificant on existing credit arrangements its effects also may change the criteria applied for future credit extensions. The amount of debt preportionate to equity will almost certainly decline, raising the cost of cepital and the expense of upgrading existing plant. The cost of debt financing may increase to offset the increased uncertainty in the cable industry's ability to grow cash flow (this may also result from a reduced supply of debt capital to the industry). These changes in financial terms and capital evallability are likely to be felt more by the smaller operator who is more dependent on the bank and insurance company markets and who does not have access to the public markets that larger operators have obtained.

Ability to invest in Plant and Equipment

The Report and Order occurs at a time when technological developments in the cable television industry (deployment of fiber optios, eligital compression, interestivity and integration of switching technology with the cable distribution plant) hold the promise of exciting new services and products for the consumer and the deployment of an interestive communications highway which would increase productivity in the U.S. and create new jobs. The Report and Order puts at risk this significant capital investment by its mandated reductions in cable cash flow, the negative impact it has had an oable's ability to access financing and a probable increase in cable's cost of capital due to the increase in the industry's risk.

Conclusion

We urge that the potential consequences outlined above be given serious consideration when evaluating the proposed rules. Specifically, we ask that you promptly reconsider, refine and clarify the baris of the rate benchmarks and the means by which operators can preserve their financial viability through cost-criservics showings. Failure to take this prompt action, we believe, will have a negative effect on the banking industry's ability to finance the continued growth of the cashle television industry. This in turn will be injurious to the consumer's quality of service; programming quality; the competitive environment for development of highly sophisticated, broadbank networks which will provide for multi-faceted interactive service including voice, data and video components; overall employment; and the smaller entrepreneurial operator's ability to survive.

- Manno Rieft hier

داد. 9007

EXHIBIT 2

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

(Mark One)	
[X] QUARTERLY REPORT PURSUANT SECURITIES EXCHANGE ACT OF	
For the quarterly period ended	June 30, 1993
	OR .
[] TRANSITION REPORT FURSUANT SECURITIES EXCHANGE ACT OF	
For the transition period from	to
Commission fil	e number 1-9046
Cablevision Sys	tems Corporation
	as specified in its charter)
Delaware (State or other jurisdiction of incorporation or organization)	11-2776686
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
One Media Crossways, Woodbury	New York
(Address of principal executi	ve offices) (Zip Code)
Registrant's telephone number, inc	luding area code <u>(516) 364-8450</u>
Indicate by check mark whether reports required to be filed by Se Securities Exchange Act of 1934 du for such shorter period that the r such reports), and (2) has been su for the past 90 days. Yes X	ring the preceding 12 months (or egistrant was required to file bject to such filing requirements
Number of shares of common stock of Class A Common Stock of Class B Common Sto	k - 10,403,608
	

Minority interest in 1993 represents U.S. Cable's share of losses in VC Holding, limited to its \$3.0 million investment. At December 31, 1992, as part of a restructuring and reorganization involving the Company's unrestricted subsidiary V Cable, U.S. Cable acquired a 19% interest in VC Holding (a subsidiary of V Cable formed to hold substantially all of V Cable's assets) for \$3.0 million.

Liquidity and Capital Resources

For financing purposes, the Company is structured as the Restricted Group, consisting of Cablevision Systems Corporation and certain of its subsidiaries and an unrestricted group of certain subsidiaries which includes V Cable (including VC Holding), CNYC, Rainbow Programming, CV Radio Associates ("WKNR") and Rainbow Advertising Sales Corporation ("Rainbow Advertising"). The Restricted Group, V Cable and CNYC are individually and separately financed. Equity funding for CNYC will, however, be provided by the Restricted Group. Rainbow Programming does not have external financing and its cash requirements have been financed to date by the Restricted Group, although one of the programming businesses in which Rainbow Programming invests has separate financing. WKNR and Rainbow Advertising do not have external financing and have been financed to date by the Restricted Group.

Based on the Company's preliminary assessment of the FCC rate regulations discussed above, the Company expects that significant rate reductions will be required in a number of its cable television systems. The Company estimates that the implementation of its revised rate structure, which will include, in certain systems, adjustments to charges for basic and expanded basic service, equipment and additional outlets as required under the rate regulations, together with adjustments to charges for unregulated services, would, if applied to the Company's results of operations for the three month period ended June 30, 1993, have resulted in a reduction of revenue and operating cash flow for such period of approximately 5% and 10%, respectively. The Company is not able to predict the extent of the effect the rate regulations will have on its results of operations for future periods.

In connection with the implementation of its revised rate structure, the Company intends to introduce a number of measures, including the provision of alternate service offerings and repackaging of certain services, in order to mitigate the negative impact described above resulting from the revised rate structure. The Company is not able to predict the extent of the effect such measures will have in mitigating such impact. Additionally, because the FCC has not yet issued rules establishing the specific methodologies to be used to arrive at the acceptable cost of service rate structures, the Company cannot predict whether it will utilize a cost of service methodology to determine rates.

The following table presents selected historical results of operations and other financial information related to the captioned groups or entities for the six months ended June 30, 1993. (Rainbow Programming, Rainbow Advertising and WKNR are included in "Other Unrestricted Subsidiaries", below.)

	Restricted Group	<u>V Cable</u> (Dolla		Other Unrestricted Subsidiaries ds)	
Net revenues	\$195,340	\$ 68,440	\$ 45,828	\$ 15,585	\$325,193
Operating expenses: Technical	67,034	25 <u>,</u> 481	22,248	2,862	117,625
Selling, general as administrative Depreciation and	27,318	9,317	15,772	24,229	76,636
amortization Operating profit	42.855	40,100	8.557	1,542	93,054
(loss)	\$ <u>58.133</u> (1)	\$ <u>(6.458</u>)	\$ <u>(749</u>)(1)	\$ <u>(13.048)</u>	\$ <u>37.878</u>
Currently payable interest expense	\$ <u>62.350</u>	\$ <u>24.205</u>	\$ <u>3.361</u>	\$9	\$89.925
Total interest expense	\$ <u>63.805</u>	\$ <u>46.738</u>	\$ <u>3.701</u>	\$9	\$ <u>114.253</u>
Senior debt	\$ <u>365.969</u>	\$ <u>815.578</u>	\$ <u>81.143</u>	\$17	\$1.262.707
Subordinated debt	\$822.706	\$	\$ <u>-</u>	\$	\$ <u>822.706</u>
Obligation to related party	\$	\$	\$ <u>66.187</u> (2)	\$ <u>-</u>	\$66.187
Deficit investment in affiliate	\$276.840	\$	\$	\$ <u> </u>	<u> </u>
Capital expenditures	\$ 34.099	\$ 8.592	\$ 39.559	\$ 2.289	\$ 82.896

⁽¹⁾ Includes management fees from CNYC of \$1,606, payment of which is restricted under the CNYC Credit Agreement.

⁽²⁾ Obligation of NYC LP Corp., a wholly-owned Unrestricted Group subsidiary, relating to the CNYC Acquisition, which obligation has been guaranteed by the Company.

At June 30, 1993, the Company's consolidated debt was \$2,151.6 million (excluding the Company's deficit investment in A-R Cable of \$276.8 million), of which \$815.6 million represented V Cable's debt and \$150.9 million represented CNYC's debt including the \$66.2 million obligation to a related party.

Restricted Group

In April 1993, the Company issued \$150,000 of its 9-7/8% senior subordinated debentures due 2023. Approximately \$105.0 million of the net proceeds of \$145.9 million was used to repay borrowings under the Credit Agreement (defined below). As a result of such issuance the maximum amount available under the Credit Agreement was reduced by \$75.0 million.

The Company is party to a credit facility with a group of banks led by Toronto-Dominion (Texas) as agent, (the "Credit Agreement"). The maximum amount available to the Restricted Group under the Credit Agreement is \$715.0 million with a final maturity at December 31, 2000. The facility consists of a \$300.0 million term loan, which begins amortizing on a scheduled quarterly basis beginning December 31, 1993 with 48% being amortized by December 31, 1997 and a \$415.0 million revolving loan with scheduled facility reductions starting on December 31, 1993 resulting in a 44% reduction by December 31, 1997. On August 6, 1993, the Restricted Group had outstanding bank borrowings of \$300.0 million. An additional \$21.8 million was reserved under the Credit Agreement for letters of credit issued on behalf of the Company. The Company had terminated its commercial paper program effective March 31, 1993.

Unrestricted and undrawn funds available to the Restricted Group under the Credit Agreement amounted to approximately \$393.2 million at August 6, 1993. The Credit Agreement contains certain financial covenants that may limit the Restricted Group's ability to utilize all of the undrawn funds available thereunder, including covenants requiring the Restricted Group to maintain certain financial ratios and restricting the permitted uses of borrowed funds.

The amount outstanding under a separate \$60.0 million credit agreement for the Company's New Jersey subsidiary ("CNJ"), which is part of the Restricted Group, was \$59.5 million as of August 6, 1993. The Company and CNJ are jointly and severally liable for this debt. On March 31, 1993, the CNJ revolving facility converted to an amortizing term loan. The CNJ facility began amortizing on a scheduled quarterly basis on June 30, 1993 with 47% being amortized by December 31, 1997.

As of June 30, 1993 the Company had entered into interest exchange (swap) agreements with several of its banks on a notional amount of \$300.0 million, on which its pays a fixed rate of interest and receives a variable rate of interest for periods ranging from one to four years. The average effective annual interest rate on all bank debt outstanding at June 30, 1993 was approximately 9.9%.

The cable systems located in New York State that are owned by the Restricted Group and VC Holding are subject to agreements (the "New York Upgrade Agreements") with the New York State Commission on Cable Television (the "New York Cable Commission"). The New York Upgrade Agreement applicable to the Restricted Group requires the substantial upgrade of its systems, ultimately to a 77 channel capacity by 1995-1996, subject to certain minor exceptions. of this planned upgrade of the Restricted Group's New York systems, the Company expects to use fiber optic cable extensively in its trunk and distribution networks. As of December 31, 1992 the Company has complied with the first phase of the New York Upgrade Agreement, as amended under which it expanded all the New York Cable systems to a 52 channel capacity. The Company believes that the balance of the upgrade to 77 channels will cost up to an additional \$78.8 million which would be spent during the period 1993 to 1996. Over the next few years, the Company anticipates further upgrading certain of its New York systems beyond the level required by the New York Upgrade Agreements along with upgrading certain other of its Restricted Group systems. The Company anticipates that the capital costs of these additional upgrades may be substantial.

In July 1992, the Company acquired substantially all of the remaining interests in CNYC. CNYC is separately financed by a \$185 million bank credit agreement. Under an agreement with the City of New York, the Company undertook to make aggregate equity contributions in CNYC of \$71.0 million or such lesser amount as the CNYC banks deem necessary. Recourse by the City of New York with respect to such obligation is limited to remedies available under the CNYC franchises. As of July 1993, the Restricted Group had advanced \$48.3 million of equity to CNYC and had the ability to invest the balance of the \$71.0 million in CNYC. Under the CNYC purchase agreement, the Restricted Group has guaranteed an annual payment to Charles F. Dolan, the chairman and chief executive officer of the Company of \$5.6 million (the "Annual Payment" as defined) and a \$40.0 million minimum payment (the "Minimum Payment", as defined). The Minimum Payment can be made in either cash or stock at the Company's option. Under its Credit Agreement, the Company is currently prohibited from paying in cash the Minimum Payment and any amounts in respect of the Preferred Payment, as defined in the CNYC purchase agreement, that may be due Mr. Dolan.

In July 1993, the Company entered into an agreement to purchase the assets of North Coast Cable for a cash payment of approximately \$86.7 million and a \$9.0 million promissory note secured by a letter of credit (see Note 5 of Notes to Consolidated Financial Statements). The Company anticipates that the net cash purchase price will be provided by cash on hand and borrowings under the Restricted Group's Credit Agreement. Consummation of the transaction is subject to a number of conditions, including the receipt of necessary regulatory approvals. There can be no assurance that this transaction will be successfully consummated.

The Company believes that, for the Restricted Group, internally generated funds together with funds available under its existing Credit Agreement will be sufficient for at least the next several years, (i) to meet its debt service requirements including its amortization requirements under the Credit Agreement, (ii) to fund its normal capital expenditures, as well as its required capital expenditures under the New York Upgrade Agreement, and (iii) to fund its anticipated investments, including its contemplated acquisition of North Coast Cable, the \$5.6 million annual payments to Charles Dolan in connection with the CNYC Acquisition and the equity requirements in connection with the build out of the CNYC cable The Company anticipates that, as a result of the implementation of the FCC rate regulation described above, it will be unable to comply with certain of the financial covenants contained in the Credit Agreement during fiscal year 1994. upon discussions the Company has had with the agent for the lenders under its Credit Agreement, the Company believes it will be able to amend such financial covenants and remain in full compliance, although there can be no assurance that it will be able to do so.

Further acquisitions and other investments by the Company, if any, will be funded by undrawn borrowing capacity and by possible increases in the amount available under the Credit Agreement, additional borrowings from other sources, and/or possible future sales of debt, equity or equity related securities.

The senior secured indebtedness incurred by A-R Cable and V Cable is guaranteed by the Restricted Group, but recourse against the Restricted Group is limited solely to the common stock of A-R Cable and of V Cable pledged to A-R Cable's and V Cable's senior secured lenders, respectively.

Under the terms of its Credit Agreement, the Company is permitted to invest up to \$11.0 million in A-R Cable and V Cable in the aggregate. Under the terms of the agreement relating to Warburg Pincus' investment in A-R Cable, the Company pledged the stock of the subsidiary which owns all of the A-R Cable common stock and the A-R Cable Series B Preferred Stock as collateral for the Company's indemnification obligations under such agreement.

The terms of the instruments governing A-R Cable's and V Cable's indebtedness prohibit transfer of funds (except for certain payments related to corporate overhead allocations by A-R Cable and V Cable and pursuant to an income tax allocation agreement with respect to V Cable) from A-R Cable and V Cable to the Restricted Group and are expected to prohibit such transfer of funds for the foreseeable future. Payments to the Restricted Group in respect of its investments in and advances to Cablevision of Chicago and Cablevision of Boston are also presently prohibited by the terms of those companies' applicable debt instruments and are expected to be prohibited for the foreseeable future. The Restricted Group does

not expect that such limitations on transfer of funds or payments will have an adverse effect on the ability of the Company to meet its obligations.

V Cable

The new long-term credit facilities extended by General Electric Capital Corporation ("GECC") to V Cable and VC Holding in connection with the V Cable Reorganization refinanced all of V Cable's pre-existing debt on December 31, 1992. Under the credit agreement between V Cable and GECC (the "V Cable Credit Agreement"), GECC has provided a term loan (the "V Cable Term Loan") in the amount of \$21.1 million, as of June 30, 1993, which loan accretes interest at a rate of 10.62% compounded semi-annually until December 31, 1997 (the reset date) and is payable in full on December 31, 2001. addition, GECC has extended to VC Holding a \$505.0 million, as of June 30, 1993, term loan (the "Series A Term Loan"), a \$25 million revolving line of credit (the "Revolving Line") and a \$210.2 million, as of June 30, 1993, term loan (the "Series B Term Loan") all three of which comprise the VC Holding Credit Agreement. Series A Term Loan and any amounts drawn under the Revolving Line pay current cash interest and mature on December 31, 2001. Series B Term Loan does not pay cash interest but rather accretes interest at a rate of 10.62% compounded semi-annually until December 31, 1997 (the reset date) and is payable in full on December 31, 2001. On August 6, 1993 VC Holding had no outstanding borrowings under the Revolving Line but did have letters of credit issued approximating \$2.5 million. Accordingly, unrestricted and undrawn funds under the VC Holding Revolving Line amounted to approximately \$22.5 million on August 6, 1993.

The VC Holding Credit Agreement also provides for the assumption by VC Holding of certain loans of U.S. Cable, the present value of which amounted to \$74.2 million at June 30, 1993.

The outstanding principal amount of the V Cable Term Loan is payable in full, with accreted interest, at maturity on December 31, 2001. VC Holding is obligated to make principal payments on a portion of the Series A Term Loan beginning on June 30, 1997 totalling \$18 million, \$20 million, \$30 million, \$40 million and \$56 million for the years ending December 31, 1997, 1998, 1999, 2000 and 2001, respectively. The remaining balance of the Series A Term Loan, as well as any amounts borrowed under the VC Holding Revolving Line, is due December 31, 2001. In addition, VC Holding and V Cable are required to apply all consolidated available cash flow (as defined), as well as the net proceeds of any disposition of assets, to the reduction of the VC Holding Term Loans and the V Cable Term Loan.

The New York Upgrade Agreement applicable to V Cable requires the substantial upgrade of its systems in New York State, ultimately to a 77 channel capacity in 1995. In 1992 V Cable completed the first

EXHIBIT 3

Summary of key financial covenants of existing debt

Credit agreement with Toronto Dominion, as Agent

Section 9.25

Operating Cash Flow to total interest

Period	Ratio (must be at least)
1992	1.30 to 1
1993	1.35 to 1
1994	1.40 to 1
1995	1.50 to 1
1996	1.75 and 2.00 to 1

Quarterly Operating Cash Flow

Operating cash flow must never be less than an amount equal to 85% of Operating Cash Flow for the prior quarter.

Operating Cash Flow to Total Debt Expense

<u>Period</u>	<u>Ratio (must be at least)</u>
1992	1.30 to 1
1993	1.35 to 1 and 1.20 to 1 and 1.15 to 1
1994	1.20 to 1

Cash Flow Ratio (must not exceed)

<u>Period</u>	Ratio (must be at least)
1992	6.50 to 1
1993	6.50 to 1 and 6.25 to 1
1994	5.90 to 1 and 5.50 to 1
1995	5.25 to 1 and 5.00 to 1
after	4.50 to 1

Revolving credit and term loan agreement between Adams-Russell Acquisition Co., Inc. and General Electric Capital Corporation

Section 6.3

Leverage Ratio (must be below)

Period	<u>Ratio</u>
1992	8.3 to 1 and 8.2 to 1 and 8.0 to 1
1993	8.0 to 1 and 7.7 to 1
1994	7.7 to 1 and 7.2 to 1
1995	7.2 to 1 and 6.6 to 1
1996	6.6 to 1 and 6.0 to 1

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of

THIRD
AMENDED AND RESTATED

CREDIT AGREEMENT

Dated as of June 24, 1992

TORONTO DOMINION (TEXAS), INC.

as Agent

BANK OF MONTREAL, Chicago Branch
THE BANK OF NEW YORK
THE BANK OF NOVA SCOTIA
THE CANADIAN IMPERIAL BANK OF COMMERCE

as Co-Agents

Interest Period and in an amount comparable to the principal amount of the CD Loans made by the respective Reference Banks to which such Interest Period relates, such rates to be notified by the Reference Banks to the Agent.

If any Reference Bank is not participating in any Fixed Rate Loans (pursuant to Section 5.04 hereof or for any other reason), the Fixed Base Rate for such Loans for the Interest Period shall be determined by reference to the amount of the Loan which such Reference Bank would have made had it been participating in such Loans.

"Fixed Rate" shall mean, for any Fixed Rate Loans for any Interest Period therefor, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the sum of (a) the Fixed Base Rate for such Loans for the Interest Period for such Loans divided by 1 minus the Reserve Requirement for such Loans for such Interest Period plus (b) if such Loans are CD Loans, the Assessment Rate for such Interest Period.

"Fixed Rate Loans" shall mean CD Loans and Eurodollar Loans.

"Franchise" shall mean a franchise, license or other authorization or right to construct, own, operate, promote and/or otherwise exploit any cable television system granted by the Federal Communications Commission (or any successor agency of the Federal government) or any state, county, city, town, village or other local governmental authority.

"Franchise Holding Companies" shall mean the Persons set forth on Schedule 1.01(ii) hereto and each other corporation which holds a Franchise as nominee of the Company or a Restricted Subsidiary.

"Funding Costs" for any Bank shall mean, with respect to any Loan, an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the principal amount paid, prepaid or converted or not borrowed for the period from the date of such payment, prepayment or conversion or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date of such failure to borrow) had such principal amount borne interest at the Funding Rate over (ii) in the case of a CD Loan, the interest component (as reasonably determined by such Bank)

at which such Bank would have bid in the United States certificate of deposit market for Dollar deposits of leading banks in amounts comparable to such principal amount and with maturities as comparable as possible to such period (as reasonably determined by such Bank) and, in the case of a Rurodollar Loan, the interest component of the amount such Bank would have bid in the London interbank market for Dollar deposits of leading banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Bank).

"Funding Rate" shall mean, for each Bank, in the case of Fixed Rate Loans, the Fixed Rate applicable to such Loan.

"Guarantee" shall have the meaning given to such term in Section 9.12 hereof.

"Guarantors" shall mean the Persons set forth on Schedule 1.01(iii) hereto and each New Restricted Subsidiary.

"Indebtedness" shall mean, as to any Person, Capital Lease Obligations of such Person and other indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase or acquisition price of property or services (and including, without limitation, obligations of such Person for property taxes and judgments and other awards giving rise to Permitted Liens described in clauses (ii) and (iii) of the definition of "Permitted Liens" in this Section 1.01) other than accounts payable (other than for borrowed money) incurred in the ordinary course of business of such Person; without limiting the generality of the foregoing, such term shall include (a) when applied to the Company, the Warrant Note and all obligations of the Company under Interest Swap Agreements and (b) when applied to the Company or any other Person, all Indebtedness of others Guaranteed by such Person.

"Interest Period" shall mean:

(a) With respect to any Eurodollar Loans, the period commencing on the date such Loans are made and ending on the same day in the first, second, third, sixth or, subject to availability from each Bank, twelfth calendar month thereafter, as the Company may select as provided in Section 2.02 hereof;

"Majority Banks" shall mean at any time, Banks having Commitments aggregating at least 60% of the amount of the Total Commitment; provided that such percentage shall be 51% for purposes of such term as used in Section 5.02 hereof, and provided further that such percentage shall be 75% for purposes of such term as used in Section 9.11(iii) hereof.

"Margin Stock" shall mean "margin stock" as defined in Regulations G and U of the Board of Governors of the Federal Reserve System.

"Materially Adverse Effect" shall mean, a materially adverse effect upon (i) the business, assets, financial conditions or results of operations of the Company and the Restricted Subsidiaries taken as a whole on a consolidated basis in accordance with generally accepted accounting principles, or (ii) the ability of the Company and the Restricted Subsidiaries taken as a whole to perform their Obligations hereunder.

"<u>Multiemployer Plan</u>" shall mean a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" shall mean proceeds received by the Company or any of the Restricted Subsidiaries in cash from the sale or other disposition of property of the Company or any of the Restricted Subsidiaries or from the issuance or sale of Indebtedness or common stock of the Company or any of the Restricted Subsidiaries, in each case after deduction of the costs of, and any income, franchise, transfer or other tax liability arising from, such sale, disposition or issuance. If any amount payable to the Company or any such Restricted Subsidiary in respect of any such sale, disposition or issuance shall be or become evidenced by any promissory note or other negotiable or non-negotiable instrument, such note or instrument shall, within ten days of the receipt thereof by the Company or such Restricted Subsidiary, be delivered and duly endorsed in a manner satisfactory to, and held pending payment thereon by, the Agent. The cash proceeds received on any such note or instrument shall constitute Net Cash Proceeds.

"New Restricted Subsidiary" shall mean any New Subsidiary not designated as an Unrestricted Subsidiary.

"New Subsidiary" shall mean any Person which becomes a Subsidiary of the Company after the Effective Date.

"New Unrestricted Subsidiary" shall mean any New Subsidiary designated as an Unrestricted Subsidiary.

"Notes" shall mean the promissory notes provided for by Section 2.06 hereof.

"NYC Preferred Return" shall mean the amounts payable to Dolan (or his successor) pursuant to the partnership agreement of Cablevision NYC MLP.

"Obligations" shall mean, collectively, the obligations of the Company hereunder in respect of the principal of and interest on the Loans and of Bank Letters of Credit, the Reimbursement Obligations, and all obligations in respect of fees and other amounts payable by the Company hereunder.

Operating Cash Flow shall mean, for any period, the following for the Company and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with generally accepted accounting principles (except for the amortization of deferred installation income which shall be excluded from the calculation of Operating Cash Flow for all purposes of this Agreement): (i) aggregate operating revenues minus (ii) aggregate operating expenses (including technical, programming, sales, selling, general administrative expenses and salaries and other compensation, in each case net of amounts allocated to Affiliates, paid to any general partner, director, officer or employee of the Company or any Restricted Subsidiary, but excluding interest, depreciation and amortization and non-cash compensation in respect of the Company's employee incentive stock programs (not to exceed in the aggregate for any calendar year 4% of the Operating Cash Flow for the previous calendar year) and, to the extent otherwise included in operating expenses, any losses resulting from a writeoff or writedown of Investments by the Company or any Restricted Subsidiary in Affiliates). For purposes of determining Operating Cash Flow, there shall be excluded (i) all management fees paid to the Company or any Restricted Subsidiary during such period by any Unrestricted Subsidiary other than any such fees paid in cash to the extent not in excess of 3% of Operating Cash Flow as determined without including any such fees and (ii) CNJ Operating Cash Flow for such period.

"Participation Agreement" shall have the meaning given to such term in Section 12.06(c) hereof.

D. Financial Covenants:

Section 9.25 Operating Cash Flow

(a) Operating Cash Flow to Total Interest Expense. The Company and the Restricted Subsidiaries will cause, for each Quarter, the ratio of Operating Cash Flow for the period of two Quarters ending with such Quarter to Total Interest Expense for such period to be at least the following respective amounts at any time during the following respective periods:

Period	Ratio
from and including the Effective Date to and including the Quarter ended September 30, 1992	1.30 to 1
from and including the Quarter ended December 31, 1992 to and including the Quarter ended September 30, 1993	1.35 to 1
from and including the Quarter ended December 31, 1993 to and including the Quarter ended March 31, 1994	1.40 to 1
from and including the Quarter ended June 30, 1994 to and including the Quarter ended September 30, 1995	1.50 to 1
from and including the Quarter ended December 31, 1995 to and including the Quarter ended March 31, 1996	1.75 to 1
on and after the Quarter ended June 30, 1996	2.00 to 1

(b) <u>Ouarterly Operating Cash Flow</u>. (i) The Company and the Restricted Subsidiaries will not permit Operating Cash Flow for the second, third or fourth Quarters of each fiscal year (commencing with the Quarter ended June 30, 1990) to be less than an amount equal to 85% of Operating Cash Flow for the immediately preceding Quarter and (ii) the Company and the Restricted Subsidiaries will not permit Operating Cash Flow for the first Quarter of each fiscal year commencing with the Quarter ended March 31, 1990 to be less than 85% of

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Operating Cash Flow for the first Quarter of the preceding fiscal year.

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(c) Operating Cash Flow to Total Debt Expense. The Company and the Restricted Subsidiaries will cause, for each Quarter, the ratio of Operating Cash Flow for the period of two Quarters ending with such Quarter to Total Debt Expense for such period to be at least the following respective amounts at any time during the following respective periods:

Period	Ratio
from and including the Effective Date to and including the Quarter ended September 30, 1992	1.30 to 1
from and including the Quarter ended December 31, 1992 to and including the Quarter ended March 31, 1993	1.35 to 1
for the Quarter ended June 30, 1993	1.20 to 1
from and including the Quarter ended September 30, 1993 to and including the Quarter ended December 31, 1993	1.15 to 1
on and after the Quarter ended March 31, 1994	1.20 to 1

Section 9.26 <u>Cash Flow Ratio</u>. The Company and the Restricted Subsidiaries will not permit the Cash Flow Ratio to exceed the following respective amounts at any time during the following respective periods:

<u>Period</u>	Ratio
from and including the Effective Date to and including June 30, 1993	6.50 to 1
from and including July 1, 1993 to and including December 31, 1993	6.25 to 1

Period	<u>Ratio</u>
from and including January 1, 1994 to and including June 30, 1994	5.90 to 1
from and including July 1, 1994 to and including December 31, 1994	5.50 to 1
from and including January 1, 1995 to and including June 30, 1995	5.25 to 1
from and including July 1, 1995 to and including December 31, 1995	5.00 to 1
on and after January 1, 1996	4.50 to 1

E. Additional Covenants:

Section 9.27 <u>Certain Subsidiaries</u>. The Company, Cablevision Area 9 Corporation and Cablevision Fairfield Corporation will cause each of CNJ, Cablevision Programming of Southern Connecticut Limited Partnership, a Connecticut limited partnership, Cablevision of Connecticut Limited Partnership, a Connecticut limited partnership and Cablevision Systems of Southern Connecticut Limited Partnership, a Connecticut limited partnership, to comply with each covenant hereunder applicable to it.

Section 9.28 Permitted Restricted Subsidiary Transactions. In the event of any Permitted Restricted Subsidiary Transaction (a) by CNJ to any other Restricted Subsidiary, the Company shall cause such Restricted Subsidiary to, and such Restricted Subsidiary shall, no later than two Business Days prior to such event, undertake (by documentation satisfactory to the Majority Banks) all of the obligations of the Company and CNJ under the CNJ Agreement, whereupon such Restricted Subsidiary shall be obligated to pay all amounts thereunder in accordance with the terms thereof or (b) by any Securing Party to any Restricted Subsidiary that is not a Securing Party, the Company shall cause such Restricted Subsidiary to, and such Restricted Subsidiary shall, no later than two Business Days prior to such event, (i) undertake (by documentation satisfactory to the Majority Banks) all of the obligations of a Securing Party under the Security Agreement and to create on its revenues and assets all of the Liens to be created by a "Securing Party" under the Security Agreement